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September 11, 2007

The Honorable Charles D. Nottingham
Chairman
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Dear Chairman Nottingham:

I write in response to your letter of August 15, which asks that we address railroad service and capacity demands for the fall peak of 2007. In sum, I expect BNSF to have adequate capacity to meet any peak season shipping demands that may occur this year, for two overall reasons. First, BNSF's ongoing capacity improvement projects have provided sufficient overall system capacity to meet our customers' needs through the rest of this year and into next year. Second, current reduced demand for rail service, as well as year-over-year declines in overall traffic volumes for the first time in many years, makes even more capacity available to customers during this year's peak season.

I would also like to take this opportunity to highlight the outlook for our business units and discuss some of our current capacity expansion projects.

Starting with our Agricultural Products Business Unit, this year's Northern Plains wheat harvest illustrates our ability to respond to peaks in demand. Although this year's harvest was much larger and was completed much more quickly than in many other years, we had pre-positioned empty cars to enable us to handle this unusually strong harvest. We have assigned more locomotives to grain service this harvest season than at any time in the past three years. We are taking similar steps to position ourselves for a similarly strong corn harvest later this year.

In our Coal Business Unit, we continue to add capacity to meet expected long-term demand. We are adding 60 miles of third and fourth main track this year in the Powder River Basin (PRB); by the end of the year, the entire 103-mile Joint Line used by BNSF and UP to access PRB mines will have at least three main tracks. Additional second main track is being added at locations outside the PRB. We are fully prepared to handle increased loadings for the balance of the year.

In our Consumer Products Business Unit, we are continuing to complete the double-tracking of our main line between Chicago and the Los Angeles Basin. This additional track capacity, as well as double track being added in other locations, benefits not only our intermodal customers, but those across all lines of business. We are also investing this year in expansion of key intermodal hub centers.

BNSF has a number of velocity improvement initiatives in place. We have established velocity performance goals in terms that are relevant to our customers--locomotive and car miles per day, coal cycle time and intermodal transit times--rather than in traditional terms of cars on line, terminal dwell and train speed, which address rail operating performance. Our velocity measures have been trending upward this year. Second-quarter car velocity, for example, improved by 4 percent over the same period in 2006 and was nearly 2 percent better than the first quarter of 2007. We expect that trend to continue the rest of this year. These velocity improvements effectively increase our capacity.

We continue to communicate capacity and service information directly to our customers through traditional face-to-face meetings and participation in customer events, as well as through podcasts and other new media.

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We average over 1,000 direct customer interactions per quarter in either one-on-one meetings or in other industry settings. Our senior leadership group, as well as our Marketing and Customer Support teams, are in continual communication with our customers. Capacity information is also continuously available on the BNSF Web site.

At BNSF, capacity is adequate to meet demand in the short term. But we recognize the need to continue to build capacity of the nation's rail network to accommodate long-term increases in demand for rail transportation. The National Surface Transportation Policy and Revenue Study Commission, on which I have the privilege of serving, has heard repeatedly from customers and others about the need to expand the capacity of our national transportation infrastructure.

Our capacity expansion plans over the next few years include investment in additional second and third main track, as well as expansion of our intermodal hub network. We are currently making specific capital plans for 2008, and we expect to finalize and announce those plans early next year.

Finally, in light of the need to add freight rail capacity to meet our nation's long-term transportation demands, I must express serious concern about recent regulatory and legislative proposals, such as the STB's recent proposed changes in calculation of the railroad industry's cost of capital which, if adopted, may have significant effects on our company's ability to earn adequate returns on capital investments. From my perspective, our nation will rely increasingly on rail transportation to support growth in our economy. As a private company, BNSF will only invest in added capacity to the extent that we believe we can earn an adequate return on those investments. If the changes proposed by the STB or some in Congress make it more difficult to achieve adequate returns on investment, it would be less likely that our company would invest in the freight rail capacity our economy and our nation need. Our capital plans for 2008 and beyond will be predicated not only on customer demand, but also on the ability to earn these adequate returns.

BNSF's capacity expansion projects and velocity initiatives will provide our customers with enough capacity to meet their needs during the upcoming peak season, and we continue to discuss capacity issues with our customers. We look forward to the STB's continuing support in our efforts to provide our customers and our economy with the capacity required to meet peak-season demand for rail service not only in 2007, but in the future.

Sincerely,



Matthew K. Rose

cc: The Honorable W. Douglas Buttrey
The Honorable Francis P. Mulvey
Mr. Edward R. Hamberger